

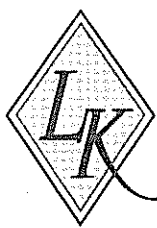
IMLAY CITY COMMUNITY SCHOOLS

IMLAY CITY, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

TABLE OF CONTENTS

	<u>PAGE</u>
Report of Independent Accountants	I
Management's Discussion and Analysis	II - IX
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Assets	5
Budgetary Comparison Schedules:	
General Fund	6
Debt Retirement Fund	7
Notes to the Financial Statements	8 – 20
Other Supplemental Information	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Other Governmental Funds	21
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	22
Combining Balance Sheet – School Service Funds	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – School Service Funds	24
Combining Balance Sheet – Debt Retirement Funds	25
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Retirement Funds	26
Individual Fund Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues and Other Financing Sources – Budget and Actual	27 – 28
Schedule 2 - General Fund - Schedule of Expenditures and Other Financing Uses – Budget and Actual	29 – 33
Other Supplemental Schedules:	
Schedule 3 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Student Activities	34 – 35
Schedule 4 - Schedule of Bond Principal and Interest Requirements	36 – 38



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 2, 2006

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Imlay City Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imlay City Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Imlay City Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Imlay City Community Schools as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated August 2, 2006 on our consideration of the Imlay City Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages II - IX, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Imlay City Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf, P.C.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The Administration’s Discussion and Analysis, a requirement of GASB 34, is intended to be the Imlay City Community Schools’ Administration’s discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District’s fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District’s services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District’s programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District’s assets and liabilities, both short and long-term, regardless if they are “currently available” or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, “As a whole, what is the School District’s financial condition as a result of the year’s activities?” The statement of net assets and the statement of activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

District Wide Financial Statements: (Continued)

These two statements report the Imlay City Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2006 and 2005:

	<u>NET ASSETS SUMMARY</u>	
	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current Assets	\$6,181,867	\$7,241,166
Non-Current Assets	<u>30,614,070</u>	<u>30,086,192</u>
<u>TOTAL ASSETS</u>	<u>\$36,795,937</u>	<u>\$37,327,358</u>
<u>LIABILITIES</u>		
Current Liabilities	\$3,431,005	\$2,699,779
Long-Term Liabilities	<u>30,803,340</u>	<u>31,653,394</u>
Total Liabilities	\$34,234,345	\$34,353,173
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	(824,412)	(1,722,818)
Restricted - Debt Retirement	1,087,765	1,195,249
Restricted - Capital Projects	23,171	0
Unrestricted	<u>2,275,068</u>	<u>3,501,754</u>
Total Net Assets	<u>\$2,561,592</u>	<u>\$2,974,185</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$36,795,937</u>	<u>\$37,327,358</u>

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2006 and 2005 the District wide results of operations were:

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$1,989,205	\$1,890,868
Property Taxes Levied for Debt Service	2,130,558	1,759,233
State of Michigan Unrestricted Foundation Aid	13,826,780	13,611,499
Gain on Sale of Assets	0	7,127
Other General Revenues	<u>293,788</u>	<u>242,636</u>
Total General Revenues	\$18,240,331	\$17,511,363
<u>Operating Grants:</u>		
Federal	1,307,777	1,142,809
State of Michigan	1,183,109	1,140,792
Other Grants	<u>93,725</u>	<u>65,655</u>
Total Operating Grants	\$2,584,611	\$2,349,256
<u>Charges for Services:</u>		
Food Service	341,171	337,827
Athletics	53,978	77,515
Special Education Consortium	132,394	171,255
Other Charges for Services	<u>104,116</u>	<u>150,219</u>
Total Charges for Services	\$631,659	\$736,816
Total Revenues	\$21,456,601	\$20,597,435
<u>EXPENSES</u>		
Instruction & Instructional Support	10,813,411	10,293,551
Support Services	7,484,466	6,837,311
Community Services	47,923	66,843
Food Service	793,807	1,042,415
Athletics	525,389	522,629
Interest on Long-Term Debt	1,432,328	1,434,116
Issuance Costs	221,805	0
Depreciation	<u>550,065</u>	<u>544,922</u>
Total Expenses	\$21,869,194	\$20,741,787
<u>(DECREASE) IN NET ASSETS</u>	(\$412,593)	(\$144,352)
<u>BEGINNING NET ASSETS</u>	<u>2,974,185</u>	<u>3,118,537</u>
<u>ENDING NET ASSETS</u>	<u>\$2,561,592</u>	<u>\$2,974,185</u>

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2006, the District’s total net assets decreased by \$412,593 to a total of \$2,561,592. The largest portion of the net assets are the District’s investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$898,406 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The Districts unrestricted net assets decreased by \$1,226,686 during the year and the restricted portion of the net assets decreased by \$84,313. The restricted net assets consists of the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The District’s overall expenses exceeded its revenues for the year by \$412,593. The total revenues increased by \$859,166. The major changes were the increase in property tax revenues totaling \$469,662, increase of federal and state grants of \$235,355, and \$215,281 in state aid. The revenues were reduced in the areas of transportation and building rental fees, and athletics and special education consortium services. Expenses increased by \$1,127,407. Major changes were site improvement costs of \$603,897, overall supplies and materials (including fleet fuel, electricity, and natural gas) increased by 23.45% - in the amount of \$258,000, and the bond refunding issuance costs of \$221,805.

FINANCIAL ANALYSIS OF GOVERNMENT’S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District’s governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The District’s general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$1,084,816 during the year with the decrease coming primarily from a decrease in cash. Revenues and other financing sources for the year increased by \$298,870 primarily from the increase of \$215,281 in state aid, and \$235,355 in federal and state grants. Revenue was also reduced by \$105,157 for service fees and \$13,000 of insurance claim reimbursements, and \$40,000 in transfers from other districts. Expenditures and other financing sources increased by \$1,229,764 primarily due to the site improvements for the athletic field project. The expenses totaling \$603,897 were used to level the 35 acres of property to facilitate a regulation soccer field, build tennis courts, and parking. Supplies and materials (including fleet fuel, electricity, and natural gas) increased by 23.45% - in the amount of \$258,000. Bond refunding issuance costs of \$221,805, and retirement expenses increased \$200,000. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year’s fall count and 25 percent of prior year’s winter count
- c. The District’s non-homestead tax levy

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Imlay City Community Schools foundation allowance was \$6,875 per student for the 2005-2006 school year.

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FINANCIAL ANALYSIS OF GOVERNMENT’S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District’s student enrollment for the fall count of 2005-2006 was 2,349 students. A decrease of 6 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.622 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year’s CPI increase or 5 percent, whichever is less. At the time of sale, a property’s taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District’s non-homestead property tax revenue for the 2005-2006 fiscal year was \$1,981,928. An increase of \$91,060 from the prior year.

2003 Debt Retirement Fund

The District’s debt retirement fund balance decreased by \$107,484. The fund balance is restricted to use for payments on bonded debt. The fund had expenditures of \$261,271 and transfers of \$2,031,197 to other debt funds in paying the required interest and principal payments of the school’s bonded debt. The majority of the fund’s revenue is derived from tax collections. An analysis of them is as follows:

1. Debt Fund Property and Industrial Facility In Lieu of Taxes

The District’s debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) In Lieu of Taxes that are essentially taxed at 50 percent of the regular tax rate.

For 2005-2006, the District’s debt millage levy was 5.75 mills that generated revenue of \$2,085,562. An increase of \$326,329 from the prior year.

MAJOR FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$18,049,604	\$18,133,155	\$18,201,511	0.46	0.38
Expenditures	19,077,357	19,633,057	19,286,327	2.91	1.77
<u>TOTAL</u>	<u>(\$1,027,753)</u>	<u>(\$1,499,902)</u>	<u>(\$1,084,816)</u>		

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

MAJOR FUND BUDGETARY HIGHLIGHTS: (Continued)

DEBT RETIREMENT FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$2,099,017	\$2,000,036	\$2,184,984	4.72	9.25
Expenditures	2,287,510	2,292,141	2,292,468	0.20	0.01
<u>TOTAL</u>	<u>(\$188,493)</u>	<u>(\$292,105)</u>	<u>(\$107,484)</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Imlay City Community Schools amends its budget during the school year. The June, 2006 budget amendment was the final budget for the fiscal year. Significant items affecting the budgets for the fiscal year were:

General Fund:

- Original vs. Final Budgets
 - Revenues – Significant items affecting original vs. final revenue estimates include: changes in the allocation of Proposal A Obligation and Special Ed Headlee Obligation., increases in Title I, and Migrant allocations, and property tax revenues were less than originally anticipated in the original budget.
 - Expenditures – Significant items affecting the variance between the original budget and the final budget were due to teacher buy-outs, fleet fuel increased costs, electricity and natural gas expenses, and site improvements.
- Final Budget vs. Actual Results
 - Revenues – There were no significant differences between the Final vs. Actual budget.
 - Expenditures – Significant items affecting final vs. actual expenditures were insurance premiums were lower than anticipated.

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

ANALYSIS OF BUDGETS: (Continued)

Debt Retirement Fund:

- Original vs. Final Budgets – Significant items affecting the variance between the original budget and the final budget were due to adjustments in the property tax receipts and increased interest revenue.
- Final Budget vs. Actual Results – There were no significant differences between the final vs. actual budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District’s long-term liabilities as follows:

	Principal Balance 7-01-05	Increases (Decreases) 6-30-06	Principal Payments 6-30-06	Principal Balance 6-30-06
Bonds Payable	\$31,677,795	\$22,125,000	\$23,925,692	\$29,877,103
Notes Payable	701,812	0	107,812	594,000
Unamortized Premium	0	1,036,477	69,098	967,379
Compensated Absences	217,291	234,159	0	451,450
<u>Total Long-Term Debt</u>	<u>\$32,596,898</u>	<u>\$23,395,636</u>	<u>\$24,102,602</u>	<u>\$31,889,932</u>

Significant additions were due to the 2006 debt refinancing.

B. Capital Assets

The District’s net investment in capital assets increased by \$7,637,961 during the fiscal year. This can be summarized as follows:

	Balance 7-1-05	Additions	Deductions	Balance 6-30-06
Capital Assets	\$33,626,868	\$8,400,603	\$116,175	\$41,911,296
Less: Accumulated Depreciation	(10,650,759)	(762,642)	(116,175)	(11,297,226)
<u>Net Investment Capital Assets</u>	<u>\$22,976,109</u>	<u>\$7,637,961</u>	<u>\$0</u>	<u>\$30,614,070</u>

Significant additions were the result of finishing the remodeling project to all the buildings.

IMLAY CITY COMMUNITY SCHOOLS – IMLAY CITY, MICHIGAN
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

* Foundation Allowance

The Board of Education and Administration agreed to an estimate of a foundation allowance of \$7,075 per pupil for the 06-07 fiscal year based on information received from various educational organizations such as Michigan Association of School Business Officials, Michigan Association of School Administrators, and the Michigan Association of School Boards as well as discussions with local state representatives. The political debate regarding the funding of public education, the current economic climate in the State of Michigan and the gubernatorial election will all affect this estimate before the final foundation allowance is known.

* Retirement Rates

The continuing cost of health insurance to current and potential retirees continues to drive the rate increases the Michigan School Personnel Retirement System recommends to the legislature for approval. The rate is anticipated to increase to 17.74% in 06-07 from 16.34% in 05-06.

* The Imlay City Community Schools 2006/2007 adopted budget is as follows:

<u>REVENUE (Includes Estimated Fund Balance)</u>	\$20,870,303
--	--------------

<u>EXPENDITURES</u>	<u>19,815,764</u>
---------------------	-------------------

<u>NET OVER BUDGET</u>	<u><u>\$1,054,539</u></u>
------------------------	---------------------------

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District’s finances. If you have questions about this report or need additional information, contact the Business Office, Imlay City Community Schools.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$2,010,863
Investments	1,134,825
Taxes Receivable	4,586
Accounts Receivable	14,186
Due from Other Governmental Units	2,826,556
Inventory	11,214
Prepaid Expenses	179,637
Total Current Assets	<u>\$6,181,867</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	41,911,296
Less: Accumulated Depreciation	<u>(11,297,226)</u>
Total Noncurrent Assets	<u>\$30,614,070</u>
<u>TOTAL ASSETS</u>	<u>\$36,795,937</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	11,541
State Aid Note Payable	1,000,000
Salaries Payable	824,287
Accrued Expenses	498,286
Deferred Revenue	10,299
Current Portion of Long-Term Obligations	1,086,592
Total Current Liabilities	<u>\$3,431,005</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>30,803,340</u>
<u>TOTAL LIABILITIES</u>	<u>\$34,234,345</u>
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt (Deficit)	(824,412)
Restricted for:	
Debt Retirement	1,087,765
Capital Projects	23,171
Unrestricted	<u>2,275,068</u>
<u>TOTAL NET ASSETS</u>	<u><u>\$2,561,592</u></u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$10,813,411	\$0	\$1,871,983	(\$8,941,428)
Support Services	7,484,466	236,510	142,957	(7,104,999)
Community Services	47,923	0	0	(47,923)
Food Service	793,807	341,171	569,671	117,035
Athletics	525,389	53,978	0	(471,411)
Interest - Long-Term Obligations	1,432,328	0	0	(1,432,328)
Issuance Costs	221,805	0	0	(221,805)
Depreciation - Unallocated	550,065	0	0	(550,065)
<u>TOTALS</u>	<u>\$21,869,194</u>	<u>\$631,659</u>	<u>\$2,584,611</u>	<u>(\$18,652,924)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				4,119,763
State Aid				13,826,780
Investment Earnings				122,168
Miscellaneous				171,620
Total General Revenues and Transfers				<u>\$18,240,331</u>
Change in Net Assets				(\$412,593)
Net Assets - Beginning				<u>2,974,185</u>
<u>Net Assets - Ending</u>				<u>\$2,561,592</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2006

	General Fund	2003 Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$567,047	\$1,097,132	\$346,684	\$2,010,863
Investments	1,134,825	0	0	1,134,825
Taxes Receivable	4,586	0	0	4,586
Accounts Receivable	7,831	0	6,355	14,186
Due from Other Governmental Units	2,826,556	0	0	2,826,556
Due from Other Funds	49,943	0	177,646	227,589
Inventory	0	0	11,214	11,214
Prepaid Expenses	179,637	0	0	179,637
<u>TOTAL ASSETS</u>	<u>\$4,770,425</u>	<u>\$1,097,132</u>	<u>\$541,899</u>	<u>\$6,409,456</u>
<u>LIABILITIES</u>				
Accounts Payable	\$10,334	\$544	\$663	\$11,541
State Aid Note Payable	1,000,000	0	0	1,000,000
Due to Other Funds	0	8,823	218,766	227,589
Salaries Payable	824,287	0	0	824,287
Accrued Expenses	222,099	0	0	222,099
Deferred Revenue	4,197	0	6,102	10,299
Total Liabilities	\$2,060,917	\$9,367	\$225,531	\$2,295,815
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	0	0	11,214	11,214
Debt Retirement	0	1,087,765	0	1,087,765
Capital Projects	0	0	23,171	23,171
Unreserved:				
Undesignated, Reported In:				
General Fund	2,709,508	0	0	2,709,508
School Service Funds	0	0	281,983	281,983
Total Fund Balances	<u>\$2,709,508</u>	<u>\$1,087,765</u>	<u>\$316,368</u>	<u>\$4,113,641</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$4,770,425</u>	<u>\$1,097,132</u>	<u>\$541,899</u>	<u>\$6,409,456</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2006

Total Governmental Fund Balances:		\$4,113,641
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$41,911,296 and the accumulated depreciation is \$11,297,226		30,614,070
Accrued Interest on Long-Term Debt		(276,187)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported a liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$29,877,103	
Notes Payable	594,000	
Unamortized Premium	967,379	
Compensated Absences Payable	451,450	
Total Long-Term Liabilities		<u>(31,889,932)</u>
<u>TOTAL NET ASSETS -</u>		
<u>GOVERNMENTAL ACTIVITIES</u>		<u>\$2,561,592</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	2003 Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Local Sources	\$2,262,485	\$2,184,984	\$451,203	\$4,898,672
State Sources	14,921,624	0	88,265	15,009,889
Federal Sources	777,139	0	530,638	1,307,777
Total Revenues	<u>\$17,961,248</u>	<u>\$2,184,984</u>	<u>\$1,070,106</u>	<u>\$21,216,338</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	10,740,677	0	0	10,740,677
Student Services	920,739	0	0	920,739
Instructional Support	773,790	0	0	773,790
General Administration	383,812	0	0	383,812
School Administration	1,396,661	0	0	1,396,661
Business Administration	188,484	0	0	188,484
Operation & Maintenance of Plant	1,922,117	0	0	1,922,117
Transportation	1,323,022	0	0	1,323,022
Support Services - Other	192,204	0	0	192,204
Community Services	47,923	0	0	47,923
Food Service & Athletics	0	0	1,276,353	1,276,353
Debt Retirement				
Principal	0	145,000	585,692	730,692
Interest	0	115,319	1,261,433	1,376,752
Dues and Fees	0	225	0	225
Other	0	727	655	1,382
Capital Outlay	0	0	574,979	574,979
Total Expenditures	<u>\$17,889,429</u>	<u>\$261,271</u>	<u>\$3,699,112</u>	<u>\$21,849,812</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$71,819	\$1,923,713	(\$2,629,006)	(\$633,474)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers to (from) Other Funds	(416,066)	(2,031,197)	2,447,263	0
Proceeds Bond Issuance	0	0	22,125,000	22,125,000
Issuance Premium	0	0	1,036,477	1,036,477
Issuance Costs	0	0	(221,805)	(221,805)
Payment to Escrow Agent	0	0	(23,145,936)	(23,145,936)
Other Transfers	(740,569)	0	0	(740,569)
Total Other Financing Sources (Uses)	<u>(\$1,156,635)</u>	<u>(\$2,031,197)</u>	<u>\$2,240,999</u>	<u>(\$946,833)</u>
Net Change in Fund Balance	<u>(\$1,084,816)</u>	<u>(\$107,484)</u>	<u>(\$388,007)</u>	<u>(\$1,580,307)</u>
<u>FUND BALANCE - BEGINNING</u>	<u>3,794,324</u>	<u>1,195,249</u>	<u>704,375</u>	<u>5,693,948</u>
<u>FUND BALANCE - ENDING</u>	<u>\$2,709,508</u>	<u>\$1,087,765</u>	<u>\$316,368</u>	<u>\$4,113,641</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Total net change in fund balances - governmental funds	(\$1,580,307)
--	---------------

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense. This is
the amount by which depreciation exceeded capital outlay in the
current period.

527,878

Bond Proceeds

(22,125,000)

Repayment of bond principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the statement
of net assets. This is the amount of repayments reported as
expenditures in the governmental funds.

23,066,125

Change in accrued interest on long-term liabilities

(67,130)

(Increase) in accrued compensated absences

(234,159)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(\$412,593)

STATEMENT OF FIDUCIARY NET ASSETS
IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2006

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$198,061</u>
<u>TOTAL ASSETS</u>	<u>\$198,061</u>
 <u>LIABILITIES</u>	
Due to Student Groups	<u>\$198,061</u>
<u>TOTAL LIABILITIES</u>	<u>\$198,061</u>

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$2,210,410	\$2,237,613	\$2,262,485	\$24,872
State Sources	14,962,228	14,921,457	14,921,624	167
Federal Sources	734,466	734,908	777,139	42,231
Total Revenues	<u>\$17,907,104</u>	<u>\$17,893,978</u>	<u>\$17,961,248</u>	<u>\$67,270</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	10,612,138	10,954,856	10,740,677	214,179
Student Services	954,442	939,438	920,739	18,699
Instructional Support	848,093	814,166	773,790	40,376
General Administration	411,742	399,732	383,812	15,920
School Administration	1,408,400	1,447,452	1,396,661	50,791
Business Administration	232,786	196,077	188,484	7,593
Operation & Maintenance of Plant	1,814,703	1,899,434	1,922,117	(22,683)
Transportation	1,404,934	1,336,352	1,323,022	13,330
Support Services - Other	190,735	202,957	192,204	10,753
Community Services	44,656	46,596	47,923	(1,327)
Total Expenditures	<u>\$17,922,629</u>	<u>\$18,237,060</u>	<u>\$17,889,429</u>	<u>\$347,631</u>
Excess of Revenues Over Expenditures	<u>(\$15,525)</u>	<u>(\$343,082)</u>	<u>\$71,819</u>	<u>\$414,901</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(1,012,228)</u>	<u>(1,156,820)</u>	<u>(1,156,635)</u>	<u>185</u>
Net Change in Fund Balance	<u>(\$1,027,753)</u>	<u>(\$1,499,902)</u>	<u>(\$1,084,816)</u>	<u>\$415,086</u>
<u>FUND BALANCE - BEGINNING</u>			<u>3,794,324</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$2,709,508</u>	

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
2003 DEBT RETIREMENT FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$2,099,017	\$2,000,036	\$2,184,984	\$184,948
<u>EXPENDITURES</u>	<u>466,882</u>	<u>466,808</u>	<u>261,271</u>	<u>205,537</u>
Excess of Revenues Over Expenditures	\$1,632,135	\$1,533,228	\$1,923,713	\$390,485
<u>OTHER FINANCING USES</u>				
Transfers to Other Debt Funds	<u>(1,820,628)</u>	<u>(1,825,333)</u>	<u>(2,031,197)</u>	<u>205,864</u>
Net Change in Fund Balance	(\$188,493)	(\$292,105)	(\$107,484)	\$596,349
<u>FUND BALANCE - BEGINNING</u>			<u>1,195,249</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,087,765</u>	

See accompanying notes to the basic financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Imlay City Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Funds

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statues authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	8 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2006, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2006, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	Portfolio %
MILAF External Investment Pool - MICMS	\$ 13	0.0027	AAAm	0.00%
MILAF External Investment Pool - MIMAX	1,134,812	0.0027	AAAm	100.00%
Total fair value	<u>\$ 1,134,825</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2006, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in pooled investment accounts which represents 100% of the District's total investments.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

4) DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$1,487,963 of the District's bank balance of \$2,798,342 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$198,061	\$ 2,208,924
Investments	<u>1,134,825</u>
<u>TOTAL</u>	<u>\$ 3,343,749</u>

The above amounts are reported in the financial statements as follows:

Cash – Agency Fund	\$ 198,061
Cash – District Wide	2,010,863
Investments – District Wide	<u>1,134,825</u>
<u>TOTAL</u>	<u>\$ 3,343,749</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2006, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 2,715,842
Federal Grants	76,843
Other Grant Programs & Fees	<u>33,871</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 2,826,556</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2006, the School District had \$2,133 in estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$1,000,000 at 2.92% interest per annum on August 19 2005, from Chase Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures on August 18, 2006.

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
State Aid Note	\$800,000	\$1,000,000	\$800,000	\$1,000,000

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$30,038,400	\$7,238,073	\$0	\$37,276,473
Land	1,122,900	0	0	1,122,900
Land Improvements	0	603,897	0	603,897
Equipment and Furniture	1,044,306	455,532	0	1,499,838
Vehicles	1,421,262	103,101	116,175	1,408,188
Totals at Historical Cost	\$33,626,868	\$8,400,603	\$116,175	\$41,911,296
Less: Accumulated Depreciation				
Buildings and Improvements	(9,098,204)	(614,123)	0	(9,712,327)
Equipment and Furniture	(501,475)	(57,143)	0	(558,618)
Vehicles	(1,051,080)	(91,376)	(116,175)	(1,026,281)
Total Accumulated Depreciation	(\$10,650,759)	(\$762,642)	(\$116,175)	(\$11,297,226)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	\$22,976,109	\$7,637,961	\$0	\$30,614,070

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 72,734
Support Services	97,000
Food Service	20,824
Athletics	22,019
Unallocated	550,065
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 762,642</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

9) CAPITAL ASSETS (Continued)

Investment in capital assets – net of related debt consists of the following:

Capital Assets	\$ 41,911,296
Less: Accumulated Depreciation	(11,297,226)
Less: Long-Term Liabilities	(31,889,932)
Compensated Absences	<u>451,450</u>
 <u>TOTAL</u>	 <u>\$ (824,412)</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2006 were \$94,595 and the School District received a dividend refund of \$88,421.

11) LONG-TERM LIABILITIES

A) BOND ISSUES

1998 Durant Resolution Package Bonds

Imlay City Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$325,344 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2006 was \$192,103.

1999 Energy Conservation Improvements Bonds

Imlay City Community Schools issued Local Government Loan Program Revenue Bonds, Series 1999C for Energy Conservation Improvements on June 24, 1999, in the amount of \$985,000. The bonds mature serially through May 1, 2009 at varying principal amounts. Interest rates on the bonds range from 4.25% to 4.75% per annum. The balance of the bonds at June 30, 2006 was \$345,000.

2003 General Obligation Building & Site Bonds

Imlay City Community Schools has issued General Obligation Bonds dated September 1, 2003, in the amount of \$7,635,000, bearing interest at rates varying from 2.00% to 5.00% per annum. The balance of the bonds as of June 30, 2006 was \$7,215,000.

2006 Refunding Bonds

On March 8, 2006, Imlay City Community Schools issued \$22,125,000 in General Obligation – Unlimited Tax Bonds with an average interest rates ranging from of 3.75% to 4.75%. The District issued the bonds to advance refund \$15,755,000 of the outstanding 1994 Bond Issue with an interest rate of 4.90% to 5.40% and \$7,370,000 of the outstanding 1997 Bond Issue with an interest rate of 5.0% to 5.7%. The net proceeds were deposited with an escrow agent and used to purchase U.S. Government Securities. These securities will provide for all of the future debt service on the 1994 and 1997 Bonds. As a result the 1994 and 1997 Bond Issues are considered defeased and the District has removed the liability from its accounts.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

11) GENERAL LONG-TERM DEBT (Continued)

A) BOND ISSUES (Continued)

The advanced refunding reduced total debt service payments over the next fifteen years by \$2,373,690. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,058,755. The balance of the 2006 Refunding Bonds as of June 30, 2006 was \$22,125,000.

B) NOTES

Land Contract

The District is indebted on a land contract payable to Citizens First Savings Bank for the purchase of vacant land. The land contract calls for an annual principal payment of \$66,000, plus interest at 5.10% per annum. The balance at June 30, 2006 was \$594,000.

C) CHANGES IN GENERAL LONG-TERM DEBT

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Amount Due in One Year
<u>Governmental Activities:</u>					
Bond Issues	\$31,677,795	\$22,125,000	\$23,925,692	\$29,877,103	\$951,494
Unamortized Premium	0	1,036,477	69,098	967,379	69,098
Notes Payable	701,812	0	107,812	594,000	66,000
Compensated Absences	217,291	234,159	0	451,450	0
<u>Total Governmental Activities</u>	<u>\$32,596,898</u>	<u>\$23,395,636</u>	<u>\$24,102,602</u>	<u>\$31,889,932</u>	<u>\$1,086,592</u>

D) PRINCIPAL REPAYMENT SCHEDULES BY FISCAL YEARS ARE AS FOLLOWS:

	Bonds Payable	Unamortized Premium	Notes Payable	Interest	Total
June 30, 2007	\$951,494	\$69,098	\$66,000	\$1,513,081	\$2,599,673
June 30, 2008	1,052,283	69,098	66,000	1,327,732	2,515,113
June 30, 2009	1,158,106	69,098	66,000	1,288,261	2,581,465
June 30, 2010	1,148,968	69,098	66,000	1,244,686	2,528,752
June 30, 2011	1,323,629	69,098	66,000	1,228,041	2,686,768
June 30, 2012-2016	8,442,623	345,490	264,000	5,033,783	14,085,896
June 30, 2017-2021	11,680,000	276,399	0	2,681,154	14,637,553
June 30, 2022-2026	1,595,000	0	0	855,160	2,450,160
June 30, 2027-2031	2,050,000	0	0	433,950	2,483,950
June 30, 2032	475,000	0	0	23,750	498,750
<u>TOTAL</u>	<u>\$29,877,103</u>	<u>\$967,379</u>	<u>\$594,000</u>	<u>\$15,629,598</u>	<u>\$47,068,080</u>

The payment dates of compensated absences is undeterminable. The interest expenditures on long-term obligations for the year were \$1,639,016.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

12) OPERATING LEASES

The District currently leases copier machines and a postage machine. The District pays a monthly rate plus a rate per copy. The minimum monthly payments and maturity dates are as follows:

	Monthly Payment	Maturity Date
Copier – Borland Elementary	\$917	December, 2009
Copier – Weston Elementary	761	December, 2009
Copier – High School	1,478	August, 2009
Copier – Middle School	725	April, 2010
Copier – Administration	414	July, 2009
Copier – Venture	282	March, 2009
Postage Machine	700	January, 2007

Future maturities are as follows:

2007	\$ 55,639
2008	54,939
2009	23,917
2010	6,525
<u>TOTAL</u>	<u>\$ 141,020</u>

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2006 consisted of the following:

		DUE FROM		
DUE TO		General Fund	Special Revenue	Total
	General Fund	\$0	\$177,646	\$177,646
	Special Revenue Fund	218,766	0	218,766
	Debt Retirement Fund	8,823	0	8,823
	<u>TOTAL</u>	<u>\$227,589</u>	<u>\$177,646</u>	<u>\$405,235</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006, consisted of the following:

		TRANSFERS FROM
TRANSFERS TO		General Fund
	Athletics	<u>\$415,566</u>

These transfers were made to subsidize the cost of services for athletics.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 14.87 percent for the period July 1, 2005 through September 30, 2005 and 16.34 percent for the period October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2006, 2005 and 2004 were \$1,811,507, \$1,534,789 and \$1,314,857, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
NOTES THE TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principally of which are the Nutrition Cluster grants. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2006, have been conducted and has been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

18) SUBSEQUENT EVENTS

The District has approved borrowing of \$3,200,000 from Chase Bank on a State Aid Anticipation Note to meet cash flow needs for the 2006-2007 fiscal year. The bonds were issued on August 20, 2006 at a interest rate of 3.68%

OTHER SUPPLEMENTAL
INFORMATION

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
COMBINING BALANCE SHEET -
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2006

	School Service Funds	Debt Retirement Funds	Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$323,513	\$0	\$23,171	\$346,684
Accounts Receivable	6,355	0	0	6,355
Due from Other Funds	177,646	0	0	177,646
Inventory	11,214	0	0	11,214
<u>TOTAL ASSETS</u>	<u>\$518,728</u>	<u>\$0</u>	<u>\$23,171</u>	<u>\$541,899</u>
<u>LIABILITIES</u>				
Accounts Payable	\$663	\$0	\$0	\$663
Due to Other Funds	218,766	0	0	218,766
Deferred Revenue	6,102	0	0	6,102
Total Liabilities	\$225,531	\$0	\$0	\$225,531
<u>FUND BALANCES</u>				
Reserved For:				
Capital Projects	0	0	23,171	23,171
Unreserved:				
Undesignated, Reported In:				
Special Revenue Funds	293,197	0	0	293,197
Total Fund Balances	\$293,197	\$0	\$23,171	\$316,368
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$518,728</u>	<u>\$0</u>	<u>\$23,171</u>	<u>\$541,899</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	School Service Funds	Debt Retirement Funds	Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$450,035	\$0	\$1,168	\$451,203
State Sources	65,418	22,847	0	88,265
Federal Sources	504,253	0	26,385	530,638
Total Revenues	<u>\$1,019,706</u>	<u>\$22,847</u>	<u>\$27,553</u>	<u>\$1,070,106</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from Other Funds	416,066	2,031,197	0	2,447,263
Proceeds Bond Issuance	0	22,125,000	0	22,125,000
Issuance Premium	0	1,036,477	0	1,036,477
Issuance Costs	0	(221,805)	0	(221,805)
Payment to Escrow Agent	0	(23,145,936)	0	(23,145,936)
Total Other Financing Sources (Uses)	<u>\$416,066</u>	<u>\$1,824,933</u>	<u>\$0</u>	<u>\$2,240,999</u>
Total Revenues & Other Financing Sources	<u>\$1,435,772</u>	<u>\$1,847,780</u>	<u>\$27,553</u>	<u>\$3,311,105</u>
<u>EXPENDITURES</u>				
School Service	1,276,353	0	0	1,276,353
Debt Retirement	0	1,847,780	0	1,847,780
Capital Projects	0	0	574,979	574,979
Total Expenditures	<u>\$1,276,353</u>	<u>\$1,847,780</u>	<u>\$574,979</u>	<u>\$3,699,112</u>
Net Change in Fund Balance	<u>\$159,419</u>	<u>\$0</u>	<u>(\$547,426)</u>	<u>(\$388,007)</u>
<u>NET ASSETS - BEGINNING</u>	<u>133,778</u>	<u>0</u>	<u>570,597</u>	<u>704,375</u>
<u>NET ASSETS - ENDING</u>	<u>\$293,197</u>	<u>\$0</u>	<u>\$23,171</u>	<u>\$316,368</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
COMBINING BALANCE SHEET
SCHOOL SERVICE FUNDS
AS OF JUNE 30, 2006

	Food Service	Athletic Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$104,109	\$219,404	\$323,513
Accounts Receivable	6,355	0	6,355
Due from Other Funds	177,646	0	177,646
Inventory	11,214	0	11,214
<u>TOTAL ASSETS</u>	<u>\$299,324</u>	<u>\$219,404</u>	<u>\$518,728</u>
<u>LIABILITIES</u>			
Accounts Payable	\$25	\$638	\$663
Due to Other Funds	0	218,766	218,766
Deferred Revenue	6,102	0	6,102
Total Liabilities	\$6,127	\$219,404	\$225,531
<u>FUND EQUITY</u>			
Fund Balance - Reserved for Inventory	11,214	0	11,214
Fund Balance - Unreserved and Undesignated	281,983	0	281,983
Total Fund Equity	\$293,197	\$0	\$293,197
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$299,324</u>	<u>\$219,404</u>	<u>\$518,728</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
SCHOOL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Food Service	Athletic Activities	Total
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$341,171	\$0	\$341,171
Athletic Activities	0	53,978	53,978
Earnings on Investments	10,116	7,275	17,391
Other Local Revenue	11,444	26,051	37,495
Total Local Sources	<u>\$362,731</u>	<u>\$87,304</u>	<u>\$450,035</u>
<u>State Sources</u>			
State Reimbursements	65,418	0	65,418
<u>Federal Sources</u>			
Federal Reimbursements	504,253	0	504,253
Total Revenues	<u>\$932,402</u>	<u>\$87,304</u>	<u>\$1,019,706</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	416,066	416,066
Total Revenues and Other Financing Sources	<u>\$932,402</u>	<u>\$503,370</u>	<u>\$1,435,772</u>
<u>EXPENDITURES</u>			
Salaries - Professional	34,982	0	34,982
Salaries - Non-Professional	238,997	296,025	535,022
Insurances	24,214	16,291	40,505
Fica, Retirement, Etc.	66,294	73,178	139,472
Other Benefits	5,250	1,800	7,050
Purchased Services	16,027	42,120	58,147
Supplies and Materials	367,866	15,053	382,919
Capital Outlay	13,867	43,000	56,867
Other	5,486	15,903	21,389
Total Expenditures	<u>\$772,983</u>	<u>\$503,370</u>	<u>\$1,276,353</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$159,419</u>	<u>\$0</u>	<u>\$159,419</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$133,778</u>	<u>\$0</u>	<u>\$133,778</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$293,197</u>	<u>\$0</u>	<u>\$293,197</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
COMBINING BALANCE SHEET
DEBT RETIREMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>1991</u> <u>Debt</u>	<u>1997</u> <u>Debt</u>	<u>1994</u> <u>Debt</u>	<u>2006</u> <u>Debt</u>	<u>1998 Durant</u> <u>Debt</u>	<u>Total</u>
<u>ASSETS</u>						
Cash and Cash Equivalents	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>TOTAL ASSETS</u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<u>FUND EQUITY</u>						
Reserved - Debt Retirement	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
DEBT RETIREMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	1991 Debt	1997 Debt	1994 Debt	2006 Debt	1998 Durant Debt	Total
<u>REVENUES</u>						
State Sources	\$0	\$0	\$0	\$0	\$22,847	\$22,847
<u>OTHER FINANCING SOURCES</u>						
Transfer from Other Debt Funds	1,375,374	449,578	500	205,745	0	2,031,197
Proceeds Bond Issuance	0	0	0	22,125,000	0	22,125,000
Issuance Premium	0	0	0	1,036,477	0	1,036,477
Total Other Financing Sources	<u>\$1,375,374</u>	<u>\$449,578</u>	<u>\$500</u>	<u>\$23,367,222</u>	<u>\$0</u>	<u>\$25,192,674</u>
Total Revenues and Other Financing Sources	\$1,375,374	\$449,578	\$500	\$23,367,222	\$22,847	\$25,215,521
<u>EXPENDITURES</u>						
Redemption of Bond Principal	534,944	35,000	0	0	15,748	585,692
Interest on Bonded Debt	840,056	414,278	0	0	7,099	1,261,433
Other	374	300	500	(519)	0	655
Total Expenditures	<u>\$1,375,374</u>	<u>\$449,578</u>	<u>\$500</u>	<u>(\$519)</u>	<u>\$22,847</u>	<u>\$1,847,780</u>
<u>OTHER FINANCING USES</u>						
Issuance Costs	0	0	0	221,805	0	221,805
Payment to Escrow Agent	0	0	0	23,145,936	0	23,145,936
Total Other Financing Uses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$23,367,741</u>	<u>\$0</u>	<u>\$23,367,741</u>
Total Expenditures and Other Financing Uses	<u>\$1,375,374</u>	<u>\$449,578</u>	<u>\$500</u>	<u>\$23,367,222</u>	<u>\$22,847</u>	<u>\$25,215,521</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$1,981,654	\$1,989,205	\$7,551
Earnings on Investments and Deposits	47,499	49,183	1,684
Tuition	25	25	0
Preschool	22,884	20,984	(1,900)
Child Care & Latchkey	25,327	28,295	2,968
Transportation	41,005	40,307	(698)
Rentals	14,505	14,505	0
Medicaid Reimbursement	85,583	93,725	8,142
Other Local Revenues	19,129	26,256	7,127
Total Revenues from Local Sources	\$2,237,611	\$2,262,485	\$24,874
<u>State Sources</u>			
Unrestricted State Aid Sec. 20	13,826,779	13,826,780	1
Special Education	548,396	548,396	0
Durant	32,534	32,534	0
Adult Education	8,010	8,491	481
Preschool	105,600	105,600	0
Bilingual Program	14,665	14,665	0
Gifted and Talented - Sec. 57.3	316	316	0
At Risk Sec. 31a	385,156	384,842	(314)
Total Revenues from State Sources	\$14,921,456	\$14,921,624	\$168
<u>Federal Sources</u>			
Title I	211,795	220,689	8,894
Migrant Programs	222,598	227,827	5,229
Title V	965	965	0
Technology Literacy Grant	5,364	5,364	0
Improving Teacher Quality	72,700	83,765	11,065
English Language Acquisition Grants	32,747	42,861	10,114
IDEA Special Education	153,221	153,352	131
Preschool	17,296	17,296	0
Transition Services	58	58	0
Service Provider Review	0	1,790	1,790
Drug Free Schools	0	2,500	2,500
Homeland Security	6,670	6,670	0
Medicaid Outreach Administrative Claims	11,493	14,002	2,509
Total Revenues from Federal Sources	\$734,907	\$777,139	\$42,232
Total Revenues	\$17,893,974	\$17,961,248	\$67,274

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Districts	\$131,312	\$132,394	\$1,082
Other Transfers	19,448	19,448	0
Reimbursements - Insurance Claims	88,421	88,421	0
Total Other Financing Sources	<u>\$239,181</u>	<u>\$240,263</u>	<u>\$1,082</u>
 <u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	 <u>\$18,133,155</u>	 <u>\$18,201,511</u>	 <u>\$68,356</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>BASIC PROGRAMS</u>			
<u>Weston - Elementary</u>			
Salaries - Professional	\$1,393,191	\$1,391,209	\$1,982
Salaries - Non-Professional	107,409	98,418	8,991
Insurances	270,175	239,925	30,250
Fica, Retirement, Etc.	361,048	353,917	7,131
Other Benefits	70,206	72,426	(2,220)
Purchased Services	6,202	1,880	4,322
Supplies and Materials	71,510	71,566	(56)
Capital Outlay	778	778	0
Other	92	92	0
Total Weston - Elementary	\$2,280,611	\$2,230,211	\$50,400
<u>Borland - Elementary</u>			
Salaries - Professional	1,182,311	1,181,567	744
Salaries - Non-Professional	65,109	68,176	(3,067)
Insurances	247,850	219,826	28,024
Fica, Retirement, Etc.	299,991	299,021	970
Other Benefits	26,075	25,895	180
Purchased Services	5,216	5,197	19
Supplies and Materials	51,914	50,427	1,487
Capital Outlay	1,847	1,847	0
Other	1,010	1,010	0
Total Borland - Elementary	\$1,881,323	\$1,852,966	\$28,357
<u>Middle School</u>			
Salaries - Professional	1,201,461	1,376,259	(174,798)
Salaries - Non-Professional	94,627	95,188	(561)
Insurances	470,023	247,777	222,246
Fica, Retirement, Etc.	312,527	352,681	(40,154)
Other Benefits	3,600	2,400	1,200
Purchased Services	5,114	3,607	1,507
Supplies and Materials	67,495	65,189	2,306
Capital Outlay	1,889	1,889	0
Other	264	302	(38)
Total Middle School	\$2,157,000	\$2,145,292	\$11,708
<u>High School</u>			
Salaries - Professional	1,596,530	1,589,933	6,597
Salaries - Non-Professional	114,624	110,829	3,795
Insurances	347,341	308,204	39,137
Fica, Retirement, Etc.	411,215	405,170	6,045
Other Benefits	85,250	68,070	17,180
Purchased Services	11,745	10,683	1,062
Supplies and Materials	77,522	78,661	(1,139)
Capital Outlay	14,359	14,365	(6)
Other	2,492	2,492	0
Total High School	\$2,661,078	\$2,588,407	\$72,671

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

INSTRUCTION (Continued)	BUDGET	ACTUAL	VARIANCE
<u>BASIC PROGRAMS (Continued)</u>			
<u>Venture</u>			
Salaries - Professional	\$252,266	\$252,055	\$211
Salaries - Non-Professional	5,088	3,183	1,905
Insurance	41,810	34,851	6,959
Fica, Retirement, Etc.	61,843	61,368	475
Other Benefits	1,350	1,350	0
Purchased Services	446	446	0
Supplies and Materials	12,252	12,252	0
Capital Outlay	1,863	1,863	0
Other	16	16	0
Total Venture	\$376,934	\$367,384	\$9,550
<u>Preschool - Borland Elementary</u>			
Salaries - Professional	13,273	13,273	0
Salaries - Non-Professional	7,721	7,721	0
Fica, Retirement, Etc.	5,167	5,146	21
Purchased Services	156	156	0
Supplies and Materials	135	135	0
Other	91	91	0
Total Preschool - Borland Elementary	\$26,543	\$26,522	\$21
<u>Adult Education</u>			
Salaries - Professional	18,053	18,053	0
Fica, Retirement, Etc.	4,331	4,292	39
Total Adult Education	\$22,384	\$22,345	\$39
<u>Total Basic Programs</u>	\$9,405,873	\$9,233,127	\$172,746
<u>ADDED NEEDS</u>			
<u>Special Education</u>			
Salaries - Professional	533,676	529,018	4,658
Salaries - Non-Professional	85,541	88,175	(2,634)
Insurances	145,811	124,684	21,127
Fica, Retirement, Etc.	140,320	147,169	(6,849)
Other Benefits	150	150	0
Purchased Services	148	148	0
Supplies and Materials	665	665	0
Total Special Education	\$906,311	\$890,009	\$16,302

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>INSTRUCTION (Continued)</u>			
<u>Compensatory Education</u>			
Salaries - Professional	\$183,291	\$182,667	\$624
Salaries - Non-Professional	217,018	217,040	(22)
Insurances	56,478	50,850	5,628
Fica, Retirement, Etc.	97,976	94,782	3,194
Other Benefits	6,451	6,451	0
Purchased Services	19,420	25,401	(5,981)
Supplies and Materials	59,754	38,631	21,123
Capital Outlay	500	0	500
Other	1,784	1,719	65
Total Compensatory Education	<u>\$642,672</u>	<u>\$617,541</u>	<u>\$25,131</u>
 <u>Total Added Needs</u>	 <u>\$1,548,983</u>	 <u>\$1,507,550</u>	 <u>\$41,433</u>
 <u>Total Instruction</u>	 \$10,954,856	 \$10,740,677	 \$214,179
 <u>SUPPORT SERVICES</u>			
<u>STUDENT SERVICES</u>			
Salaries - Professional	619,558	620,424	(866)
Salaries - Non-Professional	24,101	24,423	(322)
Insurances	127,145	109,146	17,999
Fica, Retirement, Etc.	156,955	154,202	2,753
Other Benefits	4,810	4,930	(120)
Purchased Services	4,779	5,220	(441)
Supplies and Materials	1,133	1,437	(304)
Other	957	957	0
Total Student Services	<u>\$939,438</u>	<u>\$920,739</u>	<u>\$18,699</u>
 <u>INSTRUCTIONAL STAFF</u>			
Salaries - Professional	270,025	258,845	11,180
Salaries - Non-Professional	135,929	133,158	2,771
Insurances	94,923	85,150	9,773
Fica, Retirement, Etc.	101,109	92,992	8,117
Other Benefits	13,421	13,421	0
Purchased Services	162,430	152,423	10,007
Supplies and Materials	26,213	27,685	(1,472)
Capital Outlay	2,203	2,203	0
Other	7,913	7,913	0
Total Instructional Staff	<u>\$814,166</u>	<u>\$773,790</u>	<u>\$40,376</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

SUPPORT SERVICES (Continued)	BUDGET	ACTUAL	VARIANCE
<u>GENERAL ADMINISTRATION</u>			
Salaries - Professional	\$114,780	\$114,780	\$0
Salaries - Non-Professional	77,728	80,426	(2,698)
Insurances	25,518	24,165	1,353
Fica, Retirement, Etc.	46,223	39,737	6,486
Other Benefits	15,000	316	14,684
Purchased Services	80,545	83,043	(2,498)
Supplies and Materials	4,529	4,679	(150)
Capital Outlay	1,240	1,240	0
Other	34,169	35,426	(1,257)
Total General Administration	\$399,732	\$383,812	\$15,920
<u>SCHOOL ADMINISTRATION</u>			
Salaries - Professional	547,719	512,764	34,955
Salaries - Non-Professional	297,078	277,959	19,119
Insurances	203,734	222,693	(18,959)
Fica, Retirement, Etc.	203,397	186,416	16,981
Other Benefits	27,754	25,954	1,800
Purchased Services	96,291	98,352	(2,061)
Supplies and Materials	43,621	44,675	(1,054)
Capital Outlay	11,045	11,044	1
Other	16,813	16,804	9
Total School Administration	\$1,447,452	\$1,396,661	\$50,791
<u>BUSINESS OFFICE</u>			
Salaries - Professional	107,229	107,731	(502)
Salaries - Non-Professional	7,083	5,858	1,225
Insurances	34,368	31,296	3,072
Fica, Retirement, Etc.	28,280	24,255	4,025
Other Benefits	1,379	1,379	0
Purchased Services	11,195	11,355	(160)
Supplies and Materials	3,074	3,114	(40)
Capital Outlay	2,340	2,340	0
Other	1,129	1,156	(27)
Total Business Office	\$196,077	\$188,484	\$7,593
<u>OPERATION AND MAINTENANCE OF PLANT</u>			
Salaries - Non-Professional	587,268	614,390	(27,122)
Insurances	183,496	183,100	396
Fica, Retirement, Etc.	144,936	144,746	190
Other Benefits	11,850	10,050	1,800
Purchased Services	230,198	229,696	502
Supplies and Materials	682,774	680,959	1,815
Capital Outlay	57,669	57,528	141
Other	1,240	1,648	(408)
Total Operation and Maintenance of Plant	\$1,899,431	\$1,922,117	(\$22,686)

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

<u>SUPPORT SERVICES (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>TRANSPORTATION</u>			
Salaries - Professional	\$43,722	\$43,628	\$94
Salaries - Non-Professional	504,915	503,616	1,299
Insurances	256,921	249,493	7,428
Fica, Retirement, Etc.	133,616	132,670	946
Other Benefits	5,250	4,350	900
Purchased Services	50,915	48,249	2,666
Supplies and Materials	235,361	235,046	315
Capital Outlay	103,101	103,101	0
Other	2,551	2,869	(318)
Total Transportation	\$1,336,352	\$1,323,022	\$13,330
<u>OTHER SUPPORT SERVICES</u>			
Salaries - Professional	6,600	6,600	0
Salaries - Non-Professional	89,978	89,621	357
Insurances	12,433	11,387	1,046
Fica, Retirement, Etc.	23,300	20,600	2,700
Other Benefits	2,500	2,500	0
Purchased Services	47,460	47,460	0
Supplies and Materials	17,507	10,857	6,650
Capital Outlay	2,868	2,868	0
Other	311	311	0
Total Other Support Services	\$202,957	\$192,204	\$10,753
<u>Total Support Services</u>	<u>\$7,235,605</u>	<u>\$7,100,829</u>	<u>\$134,776</u>
<u>COMMUNITY SERVICES</u>			
Salaries - Non-Professional	30,369	30,369	0
Insurances	1,902	1,902	0
Fica, Retirement, Etc.	7,514	7,119	395
Purchased Services	5,179	6,901	(1,722)
Supplies and Materials	1,632	1,632	0
Total Community Services	\$46,596	\$47,923	(\$1,327)
<u>TOTAL EXPENDITURES</u>	<u>\$18,237,057</u>	<u>\$17,889,429</u>	<u>\$347,628</u>
<u>OTHER FINANCING USES</u>			
Transfer to Other Governmental Units	45,802	45,802	0
Other Transfers	5,896	5,896	0
Site Improvements	598,897	603,897	(5,000)
Tax Chargebacks	27,223	31,288	(4,065)
Loan Payments	268,819	293,949	(25,130)
Transfers to Other Funds	449,363	416,066	33,297
<u>TOTAL OTHER FINANCING USES</u>	<u>\$1,396,000</u>	<u>\$1,396,898</u>	<u>(\$898)</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$19,633,057</u>	<u>\$19,286,327</u>	<u>\$346,730</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
 TRUST AND AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

Student Activity	Due to (From) Student Groups July 1, 2005	Receipts	Disbursements	Due to (From) Student Groups June 30, 2006
Art	\$1,791	\$22,713	\$23,648	\$856
Athletic Administration	402	1,612	1,885	129
Athletic Pop Fund	10,255	20,234	22,092	8,397
Baseball	(9)	0	0	(9)
Baseball Field	0	25,184	18,458	6,726
Beatrice Presley Reed	490	1,556	500	1,546
Beverage Consortium	50,825	3,509	7,528	46,806
Borland Art	1,060	0	0	1,060
Borland BLT	2,048	0	0	2,048
Borland General	22,689	16,640	16,308	23,021
Borland Latchkey	299	6,402	6,253	448
Boys Golf	145	0	0	145
Bus Garage/Transportation	451	2,011	1,902	560
Class of 2004	618	0	618	0
Class of 2005	615	0	0	615
Class of 2006	2,802	2,822	4,749	875
Class of 2007	65	20,618	18,159	2,524
Class of 2008	1,147	3,028	4,054	121
Class of 2009	208	3,656	2,442	1,422
Class of 2010	0	393	0	393
Devin Faden Memorial	4,404	85	200	4,289
Drama Club	1,652	5,462	4,687	2,427
Football	274	13,581	8,995	4,860
French Club	451	2,604	2,390	665
Gifted & Talented	666	0	666	0
Girls Tennis	26	289	254	61
Girls Track	0	200	100	100
Golf	1,624	0	0	1,624
HS Athletic Program	1,510	1,960	2,273	1,197
HS Band	7,328	18,034	21,912	3,450
HS Cheerleading	641	7,940	7,556	1,025
HS Counseling	1,964	5,064	5,892	1,136
HS Field Trip	382	0	0	382
HS Library	301	128	111	318
HS Pop/Gift Fund	444	1,078	1,261	261
HS Science Club	602	300	0	902
HS Social Studies	0	202	202	0
HS Student Council	2,845	4,837	3,851	3,831
HS Yearbook	652	30,027	29,414	1,265
IC Girls Basketball	51	703	731	23
ICCS Alumni Assoc.	2,648	7,032	5,270	4,410
ICCS Choir	5,624	986	809	5,801
Subtotal	\$129,990	\$230,890	\$225,170	\$135,710

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Student Activity	Due to (From) Student Groups July 1, 2005	Receipts	Disbursements	Due to (From) Student Groups June 30, 2006
In & Out	\$424	\$2,137	\$1,235	\$1,326
Interest	0	7,828	97	7,731
Lee Donation Fund	0	1,117	1,117	0
Little League B-Ball	950	1,990	2,469	471
Morgan's Xmas Service	0	4,834	4,834	0
MS Cheerleading	109	1,344	654	799
MS Class Trip	2,703	34,954	35,313	2,344
MS Enrichment	4,938	10,001	10,911	4,028
MS General	4,562	19,733	20,782	3,513
MS Girls Softball	415	827	970	272
MS Library	450	3,980	3,656	774
MS Pop	1,269	1,793	1,060	2,002
MS Pride Committee	284	0	0	284
MS Student Council	2,488	8,748	9,469	1,767
MS Student Success	3,389	1,982	3,356	2,015
MS Yearbook	948	5,610	6,610	(52)
NHS	2,717	9,013	7,337	4,393
Pat Buckingham Memorial	20	0	0	20
Project Heritage	278	0	278	0
Quiz Bowl	16	1,585	1,169	432
Readiness	(118)	1,455	922	415
Renaissance	63	0	63	0
SADD	849	0	78	771
Ski Club	679	2,338	2,387	630
Spanish Club	446	8,921	8,968	399
Spartan Voice	1,469	0	0	1,469
Sr High General	3,848	8,144	7,581	4,411
Summer Sports Camp	144	50	50	144
Tennis	116	0	0	116
Venture High School	9,938	6,570	6,341	10,167
Volleyball	1,751	5,213	6,445	519
Weston General	6,933	18,087	19,522	5,498
Weston Kindergarten Snacks	145	0	145	0
Weston Library	142	90	73	159
Weston Pop	923	2,570	1,600	1,893
Wrestling	1,738	2,583	680	3,641
<u>TOTALS</u>	<u>\$185,016</u>	<u>\$404,387</u>	<u>\$391,342</u>	<u>\$198,061</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2006

1998 DURANT RESOLUTION PACKAGE BONDS

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$325,344

	INTEREST REQUIREMENT	INTEREST RATE	PRINCIPAL REQUIREMENT	TOTAL REQUIREMENT
<u>PAYMENT DATE - MAY 15TH</u>				
2007	\$6,349	4.761353%	\$16,494	\$22,843
2008	5,564	4.761353%	17,283	22,847
2009	4,741	4.761353%	18,106	22,847
2010	3,879	4.761353%	18,968	22,847
2011	29,184	4.761353%	78,629	107,813
2012	2,029	4.761353%	20,816	22,845
2013	1,038	4.761353%	21,807	22,845
<u>TOTAL</u>	<u>\$52,784</u>		<u>\$192,103</u>	<u>\$244,887</u>

ENERGY CONSERVATION IMPROVEMENT BONDS

DATE OF ISSUE - June 24, 1999

Original amount of issue - \$985,000

<u>PAYMENT DATE</u>	INTEREST AMOUNT NOVEMBER 1	INTEREST AMOUNT MAY 1	RATE	PRINCIPAL REQUIREMENT	TOTAL REQUIREMENT
2006-2007	\$8,081	\$8,081	4.650%	\$110,000	\$126,162
2007-2008	5,524	5,524	4.650%	115,000	126,048
2008-2009	2,850	2,850	4.750%	120,000	125,700
<u>TOTAL</u>	<u>\$16,455</u>	<u>\$16,455</u>		<u>\$345,000</u>	<u>\$377,910</u>

IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2006

2003 GENERAL OBLIGATION BUILDING & SITE BONDS

DATE OF ISSUE - September 1, 2003

Original amount of issue - \$7,635,000

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2006-2007	\$159,341	\$159,341	2.500%	\$150,000	\$468,682
2007-2008	157,466	157,466	3.000%	160,000	474,932
2008-2009	155,066	155,066	3.000%	165,000	475,132
2009-2010	152,591	152,591	3.500%	170,000	475,182
2010-2011	149,616	149,616	3.550%	180,000	479,232
2011-2012	146,421	146,421	3.650%	185,000	477,842
2012-2013	143,045	143,045	3.750%	195,000	481,090
2013-2014	139,389	139,389	3.850%	200,000	478,778
2014-2015	135,539	135,539	4.000%	210,000	481,078
2015-2016	131,339	131,339	4.050%	220,000	482,678
2016-2017	126,884	126,884	4.150%	230,000	483,768
2017-2018	122,111	122,111	4.250%	240,000	484,222
2018-2019	117,011	117,011	4.350%	250,000	484,022
2019-2020	111,574	111,574	4.450%	265,000	488,148
2020-2021	105,678	105,678	4.500%	275,000	486,356
2021-2022	99,490	99,490	4.550%	290,000	488,980
2022-2023	92,893	92,893	4.600%	305,000	490,786
2023-2024	85,878	85,878	4.650%	315,000	486,756
2024-2025	78,554	78,554	4.650%	335,000	492,108
2025-2026	70,765	70,765	4.800%	350,000	491,530
2026-2027	62,365	62,365	4.800%	370,000	494,730
2027-2028	53,485	53,485	4.800%	390,000	496,970
2028-2029	44,125	44,125	5.000%	410,000	498,250
2029-2030	33,875	33,875	5.000%	430,000	497,750
2030-2031	23,125	23,125	5.000%	450,000	496,250
2031-2032	11,875	11,875	5.000%	475,000	498,750
<u>TOTAL</u>	<u>\$2,709,501</u>	<u>\$2,709,501</u>		<u>\$7,215,000</u>	<u>\$12,634,002</u>

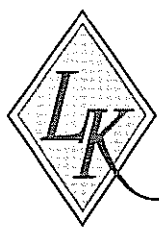
IMLAY CITY COMMUNITY SCHOOLS - IMLAY CITY, MICHIGAN
GENERAL OBLIGATION SERIAL BONDS
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
AS OF JUNE 30, 2006

2006 REFUNDING BONDS

DATE OF ISSUE - March 8, 2006

Original amount of issue - \$22,125,000

<u>PAYMENT DATE</u>	<u>INTEREST AMOUNT NOVEMBER 1</u>	<u>INTEREST AMOUNT MAY 1</u>	<u>RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>TOTAL REQUIREMENT</u>
2006-2007	\$661,138	\$510,750	3.75%	\$675,000	\$1,846,888
2007-2008	498,094	498,094	3.75%	760,000	1,756,188
2008-2009	483,844	483,844	3.75%	855,000	1,822,688
2009-2010	467,812	467,813	3.75%	960,000	1,895,625
2010-2011	449,813	449,812	3.75%	1,065,000	1,964,625
2011-2012	429,844	429,844	5.00%	1,185,000	2,044,688
2012-2013	400,218	400,219	5.00%	1,320,000	2,120,437
2013-2014	367,219	367,218	5.00%	1,470,000	2,204,437
2014-2015	330,469	330,469	4.75%	1,625,000	2,285,938
2015-2016	291,875	291,875	5.00%	1,790,000	2,373,750
2016-2017	247,125	247,125	5.00%	1,890,000	2,384,250
2017-2018	199,875	199,875	5.00%	1,990,000	2,389,750
2018-2019	150,125	150,125	4.25%	2,080,000	2,380,250
2019-2020	105,925	105,925	4.75%	2,175,000	2,386,850
2020-2021	54,269	54,269	4.75%	2,285,000	2,393,538
<u>TOTAL</u>	<u>\$5,137,645</u>	<u>\$4,987,257</u>		<u>\$22,125,000</u>	<u>\$32,249,902</u>



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 2, 2006

To the Board of Education of
Imlay City Community Schools

In planning and performing our audit of the financial statements of Imlay City Community Schools for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Imlay City Community Schools' ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

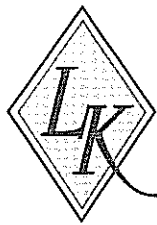
P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2006, Imlay City Community Schools incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

FUTURE ISSUES

1. MDE Changes Enforcement of Budgeting Act

The Michigan Department of Education (MDE) recently notified all Michigan School Districts that it was implementing changes in its enforcement of the Uniform Budgeting and Accounting Act. From their perspective, MDE is making this policy change in an effort to elevate awareness of the importance of proper budgeting and the need for district procedures to be in place to detect budget violations. MDE has not aggressively pursued these violations in past years, but has stated their intention to change that policy retroactively to the 2004-05 fiscal year. For that year, the Department has indicated that they are only focusing on the General Fund and will only act upon *Total Expenditures* violations that exceed 1% of the Total Expenditures budget and *Total Other Financing Uses* violations that exceed 1% of the Total Other Financing Uses budget.

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)



Imlay City Community Schools

Page 2

August 2, 2006

FUTURE ISSUES (Continued)

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (overspending your budget)
- Ending the fiscal year with a deficit (negative fund balance), and
- Adopting a budget that, when implemented, would put the district in a deficit.
- The Department is also currently considering that a violation of the Act also includes the situation where the district did not achieve their full revenue budget and, at the same time, depleted the district fund balance beyond what had been approved by the school board.

Amending your budget before June 30 of each year is the main way to avoid receiving a violation letter from the Department.

2. GASB Statement No. 45

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Imlay City Community Schools, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The District may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)
- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.



Imlay City Community Schools

Page 3

August 2, 2006

3. Cash Management of Federal Grants

The advance provisions of the Cash Management Improvement Act (CMIA) requires that advances be limited to three days cash needs. The Michigan Department of Education will no longer allow thirty day cash advances for ongoing programs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Imlay City Community Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS